

**2008-2009 EBD #12.45**

**TO:** Executive Board  
**DATE:** April 20, 2009  
**RE:** Business Development Framework

**ACTION REQUESTED:** Information only.

**ACTION REQUESTED BY:** Keith Michael Fiels, Executive Director  
Rod Hersberger, Treasurer  
Jim Neal, BARC Chair

**DRAFT of MOTION:** N/A

**BACKGROUND:**

The framework for new business development addresses the need for a process by which the Executive Board, members, staff and management identify opportunities which produce revenue growth for the Association. Important aspects of the framework include the premise that the framework address scalability of business proposals. Certain proposals will be prepared as part of the preliminary budget, while proposals which require substantial investment will require greater detail and review prior to approval, which can however, correspond to the budget development process.

Recognizing that new business development should be an outgrowth of the organization's strategic plan. As Association analysis builds on the strategic planning process and framework which outlines ALA's Keys to Success, market analysis, market growth, environmental scan etc. Such an analysis was adopted at the October 2000 planning meeting facilitated by the Treasurer, Liz Bishoff, and Senior Endowment Trustee, Robert Newlen, and significant work needs to be completed to update the analysis. The outcome of that meeting resulted in identification of implementation of products/services/programs that have supported a growing and vibrant membership. (See Association Analysis.)

Further, ALA's role was defined to include three important areas that support achievement of ALA's key strategic goals. (See Key ALA Roles.) Three revenue generating areas are:

- Membership
- Publishing
- Conference

Since the 2000 fall meeting, the U.S. and global economy has experienced a significant downturn following September 11, 2001 and more recently the severe recession which began in December 2007. Never has the need been more important to sustain profitability of publishing and conference, as well as to identify new net revenue generating opportunities.

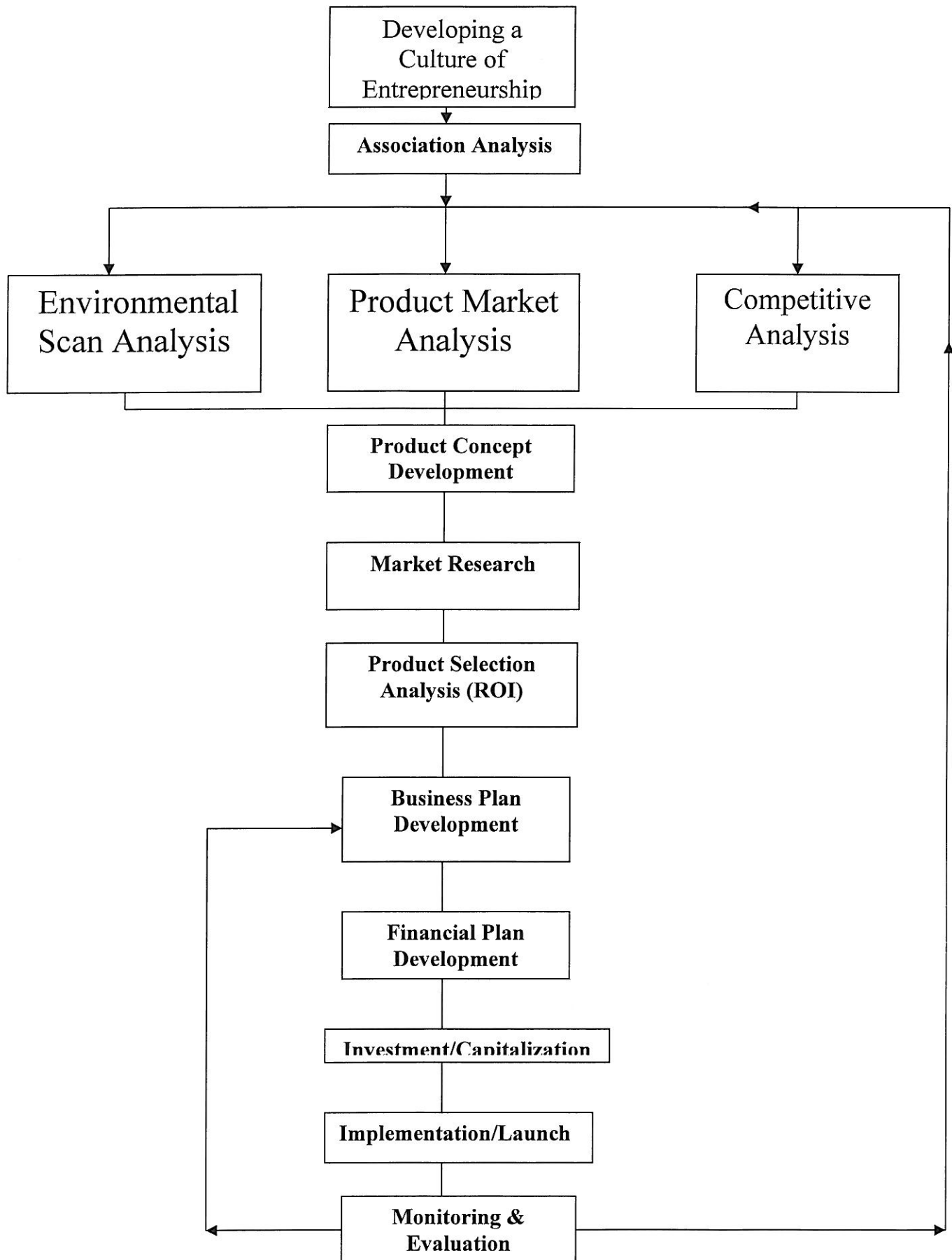
While the process for identifying new opportunities needs to be flexible and fluid, a strategic business development teamwork is included for Executive Board discussion. (See Strategic Business Development Teamwork.) Again, a scalable process is recommended, however, guidelines for level of investment, source of investment, payback and other financial assumptions require discussion.

While in the recent past new opportunity brainstorming was conducted with unit managers, BARC, PBA and the Executive Board, there may be a need to conduct brainstormings in the context of product market matrix introduced by Jim Neal. In addition, a framework for market research and strategy development require specific skills which might require outsourcing. The possibility of engaging a business development broker might be considered.

A business plan outline along with some points that the business plan developer might consider are included. Note that for "smaller" less capital intensive projects a new product development guide is also included. Guidelines related to small and large projects will require some discussion and will have an impact on the process as outlined during the development.

Attachment

# Business Development Framework

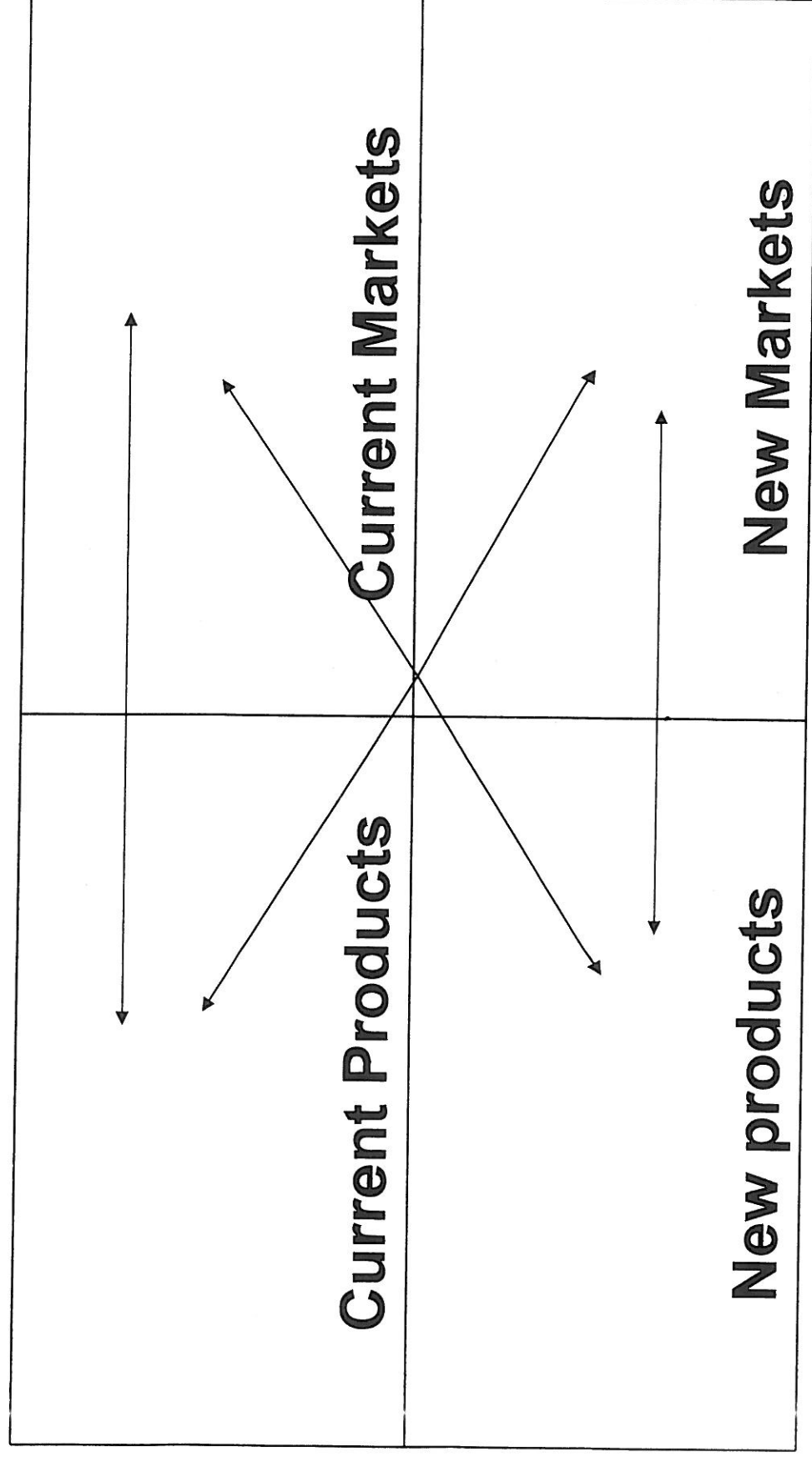


# Themes for Developing New Revenue Sources

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- Capitalize more internationally on the ALA brand
- Turn more units into revenue generating centers
- Define unique assets or attributes that ALA has that can be turned into new businesses or revenue streams
- Promote entrepreneurial environment
- Provide services to other associations or organizations
- Each product should have a business plan with startup investment and timeline for profitability.
- Invest in new revenue generating opportunities

# Product Market Matrix



# **New Product Development Marketing Approach\***

## **I. New Product Development Best Practices**

- Build voice of the member/customer through market data collection
- Identify effects of success factors on new product performance metrics
- Identify frameworks and tools to prioritize marketing activities

## **II. Identify New Products System**

- Identify barriers to effective product development
- Components of an effective innovation system
  - Identify value equation
  - Cost
  - Convenience

## **III. Relate Product to Member/Customer Needs**

- Market-based approach: market profile analysis
- Identifying competitors:
  - level of competition: product form, product category, generic, or budget
  - methods to identify close competitors
  - determining the basis of competition
- Uncovering articulated and unarticulated customer needs
- Identify product market (Product Market Matrix)

## **IV. Develop Strategy**

- New product strategy: growth gap, strategic arenas, spending splits, screening criteria
- Strategic goals tied to strategic plan
- Product portfolio management
  - Conference
  - Magazine
  - Books
  - CE
  - Database products

## **V. Strategic Marketing Objectives**

- Strategic analysis of customer and competitor
- Product, price, distribution, and promotion strategy
- Key decisions in marketing mix based on marketing objectives

## **VI. Sales Forecasting**

- Types of models to use at different phases of the new product development process

- Market potential models for overall sizing of the opportunity
- Sales formation models to predict sales build-up over time
- Types of models for different products and services
- Steps to logically forecast sales
- Test sensitivity of forecast

## **VII. Developing a New Product Marketing Launch Plan**

- Determining which segments to target and why
- Product positioning: value proposition
- Sales forecasting and pricing decision frameworks
- Communications strategy
- Distribution strategy

## **VIII. Implementing the New Product Development Process Using a Customer-Driven Approach**

- Clustering development activities into phases
- Determining deliverables from each phase
- Roles of decision points: project review and decision points
  - Board, BARC, staff
- Screening criteria and screening approaches at a decision point

*\* The University of Chicago Booth School of Business*

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### Strategic Business Development Teamwork: An Example of Roles and Actions

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#### Who\* Steps

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- |   |   |
|---|---|
| B | Spells out broad guidelines for funding future new products; noting expectations and constraints.   |
| M | Drafts statements of product and services objectives and targets, within given guidelines and with board and member input.  |
| T | Review business plans, discuss, and amend plans as needed.  |
| M | Conducts data collection and analyses necessary to launch new business.   |
| T | Allot sufficient time at spring and fall meetings in which business plan strategy is presented, discussed, reviewed, and amended, including any final instructions and directions from the board. |
| M | Revises and verifies approved plan. Draws up business plan. Notes and highlights crucial assumptions made, and proposes meaningful milestones for execution.                                      |
| B | Reviews points based on crucial assumptions and selected milestones. Endorses final strategy and plan. Notes any guidelines for preparation of next budget.                                       |
| M | Prepares budget and key checkpoints for board approval.   |
| B | Reviews proposed budget. Ensures that budget's major provisions and thrusts are consistent with the strategy and plan previously approved. Modifies as needed, and approves.                      |
| T | Review association activities that have an impact on implementation.  |
| M | Makes periodic reports to the board (after launching strategy) on validity of crucial assumptions, milestones, changes in environment, and competitive considerations.                            |
| B | Monitors execution of strategy by monitoring financial performance and other measurable milestones that have strategic implications.  |
| T | Agree to changes in strategy as circumstances warrant.  |
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#### \* Key:

M = Management

B = Board

T = Together

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Adapted from a model provided by Professor Boris Yavitz, Dean Emeritus, Columbia University School of Business.

Modified by: Gregory L. Calloway – 09/19/00, 03/30/09



<u>Heading</u>	<u>Description</u>
1.0	<b>Executive Summary</b>
1.1	Objectives
1.2	Mission
1.3	Keys to Success
2.0	<b>Products and Services</b>
2.1	Product and Service Description
2.2	Competitive Comparison
2.3	Technology
2.4	Future Products and Services
3.0	<b>Market Analysis Summary</b>
3.1	Market Segmentation
3.2	Target Market Segment Strategy
3.2.1	Market Needs
3.2.2	Market Trends
3.2.3	Market Growth
3.3	Association Analysis
3.3.1	Association Participants-Partners
3.3.2	Competition and Buying Patterns
3.3.3	Main Competitors
4.0	<b>Strategy and Implementation Summary</b>
4.1	Value Proposition
4.2	Competitive Edge
4.3	Marketing Strategy
4.3.1	Positioning Statements
4.3.2	Pricing Strategy
4.3.3	Promotion Strategy
4.3.4	Distribution Strategy
4.3.5	Marketing Programs
4.4	Sales Strategy
4.4.1	Sales Forecast
4.4.2	Sales Programs
4.5	Strategic Alliances
4.6	Milestones
5.0	<b>Management Summary</b>
5.1	Organizational Structure
5.2	Management Team
5.3	Management Team Gaps
6.0	<b>Financial Plan</b>
6.1	Important Assumptions
6.2	Key Financial Indicators
6.3	Break-even Analysis
6.4	Projected Profit and Loss

American Library Association  
Five Year Financial Overview

EXHIBIT 1

SUMMARY OF REVENUES & EXPENSES					
Account Category	(1)	(2)	(3)	(4)	(5)
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2013
	PROJECTION	PROJECTION	PROJECTION	PROJECTION	PROJECTION
INITIAL INVESTMENT	-50000				
Dues	0	0	0	0	0
Book Sales - Net *	72,522	74,003	50,081	96,610	96,610
Other Sales *	33,608	27,505	34,459	53,275	53,275
Subscriptions *	86,879	107,051	89,598	112,057	112,057
Advertising - Net *	0	0	0	0	0
Conferences & Meetings	0	0	2,000	0	0
Grants	0	0	0	0	0
Miscellaneous	39,389	106,800	35,370	27,505	27,505
Total Revenues	232,398	315,359	211,508	289,447	289,447
Payroll and Related Expenses	1,479,483	1,634,305	1,638,041	2,021,513	2,021,513
Outside Services	198,795	152,169	168,009	243,230	243,230
Travel and Related Expenses	276,350	298,634	282,783	285,329	285,329
Meetings & Conferences	47,795	38,564	28,183	28,331	28,331
Publication Related Expenses	168,410	183,816	188,888	200,705	200,705
% to Pub. Related Revenues	87.3%	88.1%	108.5%	76.6%	76.6%
Operating Expenses	226,371	249,220	276,064	244,839	244,839
Inter-Unit Transfers	168,735	242,776	184,724	276,908	276,908
Inter-Unit Trf/Genl Overhead	0	0	0	0	0
Income Taxes/Unrelated Business	0	0	0	0	0
Program Enhancements	0	0	0	0	0
Total Expenses	2,563,940	2,759,485	2,786,693	3,300,856	3,300,856
% to Total Revenues					
Net Rev / (Exp) After Taxes	(2,331,542)	(2,444,126)	(2,555,185)	(3,011,409)	(3,011,409)
% to Total Revenues					
Net Investment Gain/Loss	(2,381,542)				
ROI					
hurdle Rate					

<b>NEW PRODUCT DEVELOPMENT GUIDE</b>
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Unit No.:	106
Unit Name:	HRDR
Project No.:	04xx
Project Name:	CEU Program

From incremental funding

Line#	Line Item Description	Explanation	FY 2010 Budget \$ Amount
	<b>REVENUE</b>		
		<b>Total Revenue</b>	-
	<b>EXPENSES</b>		
5000	Salaries & Wages	Transfer .25 FTE (Jamie) from APA to 106; with .25 FTE in APA and .5 FTE remains at IMLS grant	8,545
5002	Overtime/Wages		-
5005	Attrition Factor		(427)
5010	Employee Benefits		2,151
5016	Prof Memberships	IACET Annual Dues	695
5150	Messenger Service	Mailing certificates, transcripts and correspondence	750
5402	Printing-O/S	Certificates	2,000
5500	Supplies/Operating	Mics. Supplies	500
5530	Depr/Furn & Equipment	Locked Supply Cabinets	2,500
5909	IUT-Dist. Center	Mailing certificates, transcripts and correspondence	1,500
5910	IUT-Repro.	Copies	800
5999	IUT-Misc.	Registration Fees: Estimate for 6000 @\$15 per attendee to be transferred from participating units = \$90,000	(19,014)
		Use \$29,282 to zero out project	
		<b>Total Expenses</b>	-
		<b>Net</b>	-

## Business Plan Discussion Points

I. Describe Core Product or Service

II. Describe Involvement Required from Other Units

III. Identify Major Competitors and Describe How Product/Service is Different

IV. Identify Start-Up Costs

A. Development

B. Production/Implementation

C. Staffing D. Overhead

V. Attach Three Year Financial Plan

## **Business Plan Outline Preparation**

Here are some important questions to answer while preparing the business plan:

1. Describe the core product or service.
2. What sets this product or service apart from the competition? Describe what your expertise brings to the table.
3. Describe involvement from other units that is required to develop and implement business.
4. Which of the following applies to the business described?
  - Current products for current markets i.e. deeper penetration
  - New products to current markets i.e. diversification
  - Current products to new markets
  - New products to new markets
5. Identify the major competitors. How is the product/service different?
6. How much investment is required for:
  - product/service development
  - marketing
  - overhead
  - staffing
7. When will the product/service repay the investment?
8. What are the plans for expansion and growth?